

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 9, 2011
POSITION: Neutral, note concerns

BILL NUMBER: SB 335
AUTHOR: E. Hernandez
RELATED BILLS: AB 1383 (2009); AB 188 (2009); SB 90 (2011); AB 97 (2011); AB 113 (2011)

BILL SUMMARY: Medi-Cal: Hospitals: Quality Assurance Fee

This bill would extend the Hospital Quality Assurance Fee (QAF) that sunset June 30, 2011 by one year through June 30, 2012 (July 1, 2011 through June 30, 2012). The Department of Health Care Services (DHCS) would use the QAF revenue to draw down federal funds that would be used to provide supplemental payments to private hospitals in fee-for-service Medi-Cal, Medi-Cal managed care, and for acute psychiatric days, and to provide \$320 million for children's health coverage that could offset General Fund costs in Medi-Cal. County and University of California hospitals would be able to receive direct grants in support of health care expenditures. This bill would take effect immediately as an urgency statute.

FISCAL SUMMARY

The Administration has not developed a revenue estimate for this bill; however, we note that the previous hospital fees had revenue of about \$4 billion over a nine-quarter period. The QAF revenue would be available to draw down additional federal funds at 50 percent federal financial participation for making supplemental payments to hospitals for services provided to Medi-Cal beneficiaries. Additionally, this bill would make available \$320 million to offset General Fund costs for providing children's health coverage in 2011-12 and increase General Fund expenditures by \$26 million by undoing a rate decrease for hospital outpatient services enacted by AB 97 (Committee on Budget), Chapter 3 of the Statutes of 2011.

COMMENTS

The Department of Finance is neutral on this bill but notes the following concerns:

- This bill includes a provision that would undo the hospital outpatient rate decrease that was implemented in AB 97 (2011). This change could generate a General Fund increase of \$26 million over what was included in the 2011-12 Budget Act.
- Certain aspects of this bill, such as the fee structure and payment methodology, must be further defined. We note that the California Hospital Association and DHCS are working together with the author's office to finalize this bill.

Specifically, this bill would:

- Enact the Medi-Cal Hospital Provider Rate Stabilization Act of 2012, which would impose a quality assurance fee on hospitals. Designated Public Hospital, Non-Designated Public Hospitals, small and rural hospitals, and long-term care facilities would be exempt from paying the fee. The fee revenue would be used to draw down additional federal funds that would provide supplemental payments to private hospitals for inpatient and outpatient services in Medi-Cal fee-for-service, managed care and acute psychiatric days.

Analyst/Principal (0544) J. Wunderlich	Date	Program Budget Manager Lisa Ann L. Mangat	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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E. Hernandez

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SB 335

- Permit county and University of California hospitals to receive direct grants in support of health care expenditures.
- Provide additional funds (\$80 million per quarter/\$320 million per year) to offset General Fund costs for providing children's health coverage in Medi-Cal.
- This bill would undo a rate decrease for hospital outpatient services enacted by AB 97 (2011).

AB 1383 and AB 188 (Jones), Chapter 627 and Chapter 645 of the Statutes of 2009, enacted a hospital QAF, a methodology for making supplemental payments to hospitals, which also provided funds for children's health care coverage, and funds for grants to public hospitals.

SB 90 (Steinberg), Chapter 19 of the Statutes of 2011, extend the QAF that sunset December 31, 2010 by six months through June 30, 2011. In addition, SB 90 did the following: (1) Rescinded a hospital rate freeze as well as a 10 percent reduction for non-contract hospitals enacted in 2008, (2) Reduced Disproportionate Share Hospital supplemental payments for hospitals, (3) Increased funding available to offset General Fund costs in Medi-Cal for children's coverage, and (4) Delayed the seismic standards deadline from 2013 to 2020, as specified. SB 90 was a companion bill to AB 113 (Monning).

AB 113 (Monning), Chapter 19 of the Statutes of 2011, established the Non-Designated Public Hospital Inter-governmental Transfer (IGT) Program, administered by DHCS, for non-designated public hospitals (district hospitals). Participating hospitals were authorized to voluntarily transfer funds to the state for the purpose of drawing down federal Medicaid funds to make supplemental payments to these hospitals. AB 113 also appropriated the funds needed to implement the fee extension authorized by SB 90 (Steinberg).

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
4260/Hlth Care	LA	No	M	\$320,000	M	\$0		--	0001
4260/Hlth Care	LA	No	C	\$26,000	C	\$0	C	\$0	0001
1256/Othr Reg Fee	RV	No		-----	See Fiscal Summary		-----		3158
4260/Hlth Care	LA	No		-----	See Fiscal Summary		-----		0890

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0890	Trust Fund, Federal
3158	Hospital Quality Assurance Revenue Fund